Greater Boston Chamber of Commerce
Transportation Policy Agenda
Companion Brief to Presentation

The presentation is organized into three sections:

1. Challenges
2. Impacts
3. What can be done?

Sections 1 and 2 make the case for both additional investment and policy and management changes that should come with that additional investment. Important changes are on slides 31, 32, 34, and 35, and slide 53 details a revenue structure that the GBCC supports.

Section 1: Challenges (slides 2 – 21)

The first section of the presentation demonstrates the need for greater investment in our transportation system by focusing on four challenges: increasing congestion; transportation infrastructure condition, both roads and the MBTA; the importance of anticipating the state transportation system's future demands and needs; and the large financial gaps projected for both the MBTA and MassHighway.

The slides provide additional data for each of these areas. The section on financial gaps (**slides 17 – 21**) requires some narrative:

*MBTA (**slides 18 and 19**)*

The MBTA faces both operating deficits and capital funding gaps (**slides 18 and 19**).

Slide 18 is derived from the MBTA's own projections, and the chart is the MBTA's own chart, as reported to the Fiscal and Management Control Board (FMCB) in August 2019. Since then, the projected deficit for FY 2020 has increased from $39 million to $53 million. The projected $98 million deficit for FY 2021 was not updated.

The MBTA will close these projected deficits with state assistance, money that it receives every year from the state. In recent years, the money was used to fund maintenance or other capital investments, but because of these operating deficits it won't be used for those purposes.

Going forward, without change, operating budget deficits will persist. Once operational, both the Green Line Extension and South Coast Rail will add expenses, and fare revenues from the two services will not cover the full cost of operating each line. For example, in May 2019 the MBTA estimated that the operating deficit for South Coast Rail will be between $9 million and $12 million in 2024.[1]

Slide 19 details the capital funding gap. The administration's 15-year capital spending goal (to eliminate the MBTA's long-standing state of good repair backlog (SGR)) identifies a needed spending level of $1.5 billion per year. A significant gap in funding these investments emerges in FY2026. The Massachusetts Taxpayers Foundation identified this gap as roughly $500 million in FY2026 and then $1 billion from FY2027-FY2032.

The projected gap is exacerbated in part by the projected operating budget deficits. Without funding available to pay debt service, the MBTA's ability to borrow will be limited in future years.

[1] Estimate is in 2024 dollars. The MBTA estimated the service will cost between approximately $18 million and $24 million annually and fare revenue will generate approximately $8 million to $9 million annually. From South Coast Rail: Operating & Maintenance Costs presentation to the Fiscal and Management Control Board, May 20, 2019.

*State Roads, Bridges and Tunnels (**slide 20**)*

Slide 20 illustrates the projected funding gap at MassHighway.

A Better City (ABC) identified a $6.5 billion gap over the next 10 years when comparing the Capital Improvement Plan with the needs identified in MassDOT reports. The most significant gap is in state-owned bridges, where the funding gap was estimated at $2.9 billion over ten years. The gap for non-interstate pavement is estimated at $1.2 billion.[2]

MassDOT's own capital analysis supports ABC's finding, with the Performance and Asset Management Advisory Council Annual Report stating the percent of bridges rated poor will remain above the 10 percent maximum threshold set by the Federal Highway Administration (FHWA) through 2028 unless additional investments are made beyond the current CIP. The administration is currently working on the Highway Transit Asset Management Plan, which will give a more complete picture of needed investments over the next decade.

As the state increases its capital spending in order to update poor quality roads and bridges it will likely create an operating deficit. ABC, with the help of the UMass Donahue Institute, projects a $2.0 billion gap in operations, maintenance and debt service over the next ten years. This is driven in part by increased debt issuances to support investments without any additional sources of revenue.[3]

*Unfunded Major Projects (**slide 21**)*

In addition to the gaps at the MBTA and MassHighway, there are a number of projects that are in the public sphere and have been discussed, researched, or planned at varying degrees, but all unfunded. The table on **slide 21** includes some of those projects, along with the estimated costs for each.

Section 2: Impacts (slides 22 – 27)
This section details some of the impacts of not addressing our transportation challenges.

- #23 - Congestion will continue to limit access to jobs and employers' access to employee pools.
- #24 - Repairs will only get more expensive with time and as weather worsens.
- #25 - Our budgeted efforts won't meet federal bridge standards until 2028 or later.
- #26 - The state risks its competitiveness as other states invest in transportation.
- #27 – As the U.S. Chamber notes, this is a national issue. Other states are responding; what will Massachusetts do?

Section 3: What can be done? (slides 28 – 45)
This section details some of the state's options for investing in and improving transportation. Support for new revenue is dependent on other changes being made, like those outlined in **slides 30-35**.

*Ramp Up Capacity & Workforce Planning (**slides 30 – 32**)*

The Governor proposed a number of changes in the Transportation Bond Bill, released in July 2019, that would improve MassDOT's and the MBTA's project delivery. These are noted in **slide 31**.

*Oversight (**slides 33 – 35**)*

The FMCB expires in 2020, so there's a need to plan for the MBTA's governance once that board expires.

[2] An Update on Transportation Finance, A Better City, February 2019
[3] An Update on Transportation Finance, A Better City, February 2019

*Leverage Technology & Employers (**slides 36 – 38**)*

These are ways that employers and the private sector can play a part in addressing transportation issues. Many are already taking steps, like offering telecommuting options and providing pre-tax or subsidized public transportation benefits.

*Future-Ready Revenues (**slides 39 – 54**)*

The state must be prepared for the future not only in terms of investment, but also with its revenue structure. There are two underlying principles in this section: first, that we must get more people out of cars and into public transportation or other shared ride options (see quote from Sec. Pollack in slide 14) and second, we should use pricing to influence behavior, not just raise revenues**.**

Slides 40-42 detail a 21st Roadway Pricing Task Force that would be charged with creating a series of scenarios for various types of roadway pricing (such as tolls, congestion or dynamic pricing, or managed or "luxury" lanes).

Slides 45-48 provide context for the gas tax and the proposed Transportation and Climate Initiative (TCI).

Slide 46 compares the increases since 1991 for MBTA fares, the gas tax, and inflation. MBTA fares have far outpaced inflation while the gas tax has lagged it.

Slide 53 is a revenue structure that the GBCC supports. It includes:

- The 21st Century Roadway Pricing Task Force.
- A total 15¢ gas tax increase (5¢ per year for three years).
- Depending on the design of the TCI program, which is expected to be released later this year, up to 10¢ for that initiative.
- An increase to TNC fees from the current 20¢ to between $1.20 and $1.70 along with surcharges for luxury vehicle rides and rides during peak congestion periods (i.e. rush hours). The fee should be passed along to the rider.
- Note that geographic and social equity are important factors in this proposal. This includes how and where the revenue is spent.

*Link Revenue to Investments (**slides 54 – 55**)*

Slide 55 lists the areas where GBCC would like to see investments that are funded with new revenues be focused.